Risk Adjustment Regulations Draft for Public Comment (VOTE)

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The ACA requires the implementation of a risk adjustment program for the individual and small group market, effective 2014. The objective of the program is to help maintain a level-playing field, stabilize premium and promote competition.

States have the option to administer state-based programs or default to the federal program. In consultation with issuers and other stakeholders, Massachusetts pursued a state-based approach and successfully obtained the necessary federal to operate the program.

Significant progress has been made in risk adjustment implementation over the past two years, including establishing key steps in data collection, data quality improvement, program simulation and reporting.

Today we are proposing to issue draft Risk Adjustment regulations for public comment. By ultimately promulgating these regulations, we intend to formalize a series of program rules that are essential to the reliable operationalization of Risk Adjustment, in advance of the upcoming 2014 Benefit Year payment and charge settlement.
Key Milestones

Q1 13 | Q2 | Q3 | Q4 | Q1 14 | Q2 | Q3 | Q4 | Q1 15 | Q2 | Q3

- Obtained federal certification of methodology
- Issued 2014 State Notice of Benefit and Payment Parameters (Payment Notice)
- Issued 2015 State Payment Notice
- Obtained federal approval for 2015 program operation
- Issue draft regulations
- Public hearing on regulations
- Final Board vote on regulations
- Issue 2016 State Payment Notice
- Final data submission for 2014
- Payment & Charge report

Ongoing Data Quality Assessment and Discussions with Carriers

- Market-wide Simulation
- Funds Settlement Calculations for 2014
Summary of Risk Adjustment Processes

• Risk adjustment is a multi-phase process
• Our proposed regulations closely align with United States Department of Health and Human Services (HHS) approach
Data Submission & Discrepancy Resolution

- Data submission requirements
  - Issuers must comply with the Center for Health Information and Analysis (CHIA) data submission requirements, including data privacy & security requirements
  - All data for a given benefit year must be submitted by April 30th of following calendar year

- Carriers review reports, identify discrepancies
  - Member month tracker reports will be provided to issuers each month, and simulation reports each quarter
  - Within 30 days, issuers must either: 1) confirm accuracy of report or 2) identify discrepancies
  - The Health Connector will work with issuers to resolve discrepancies within 60 days or close cases at its discretion

- April 2015 – Final discrepancy identification & resolution period
  - By March 2015, the Health Connector will provide a quarterly simulation report representing data from the 1st three quarters of 2014, as well as the final member month tracker report for the entire benefit year
  - All data must be locked down by April 30th; any discrepancies raised but not resolved by this date, or discrepancies that could not have been raised will be addressed through the reconsideration process
Transfer Calculations, Payments & Charges

- **Transfer calculations**
  - May-June: Health Connector to calculate risk scores and determine payments and charges
  - By July 1st: Health Connector to send payment/charge report to issuers
  - Calculation will be based on data finalized as of April 30
  - Issuers who do not submit data on time may be subject to default charge

- **Issuers who owe charges**
  - Issuers who owe charges will have 30 days from the date the report is issued to submit charges
  - Late payments will be assessed interest at 12% per annum, which begins accruing 40 days from the date of the final payment/charge report
  - Payment and interest may not be stayed pending reconsideration – any adjustments that arise from the reconsideration process will be applied on a prospective basis

- **Payments to recipient issuers**
  - Transfer payments will be made after and only to the extent of receipt of risk adjustment charges
  - If the Health Connector does not receive full submission of charges owed on time, payments to recipient issuers will be made on a pro-rated basis, with additional distribution cycles in line with when the Health Connector receives subsequent submissions
Reconsideration & Remedies

- Grounds for a request for reconsideration
  - Issuers may request reconsideration with respect to: 1) incorrect application of the methodology (including unresolved data discrepancies), or 2) mathematical errors. The methodology itself is not subject to request for reconsideration
  - Materiality threshold: dispute amount no less than 1% of the applicable payment/charges or $25,000, whichever is less

- Reconsideration request
  - Issuers must file written requests for reconsideration within 30 days of the payment/charge report, and must specify the reasons for the challenge and the amount in dispute
  - Issuers may submit documentary evidence – but may not submit evidence that could have been submitted during discrepancy resolution

- Review
  - First-level review – reconsideration by the Health Connector
  - Second-level review – reconsideration through hearing, conducted according to the Massachusetts procedures/policies for informal hearings and any administrative bulletins issued by the Health Connector

- Remediation
  - Any change to a payment/charge resulting from the reconsideration process will be applied prospectively to future years’ risk adjustment transfers after issuance of the decision and conclusion of any proceedings for judicial review
Data Validation

- Risk Adjustment Data Validation (RADV) is a retrospective process of examining the quality of risk adjustment data, for purpose of validating and potentially modifying risk adjustment settlement as appropriate.

- In the 2014 State Notice of Benefit and Payment Parameters, we described three different options for evaluation: 1) statistic-driven approach with limited medical record review; 2) single-level medical review; and 3) two-level medical record review.

- Key considerations include: credibility of methodology; availability of vendors and tools; administrative feasibility; etc.

- Have been in regular discussion with carriers as well as the federal Centers for Medicare and Medicaid Services (CMS):
  - RADV is not part of the risk adjustment methodology subject to federal certification; state has more flexibility in defining and refining processes overtime, although RADV is still considered in CMS’s operational approval.

- Consistent with HHS approach, RADV for 2014 will be for informational purposes only, without actual adjustment of payments and charges.
Regulation Timeline

- Issuance of draft regulations will begin period of public comment
- Public hearing is scheduled for January 28, 2015
- Following public hearing and close of public comment, draft regulations will be amended and finalized for a final vote by this Board at the February 12, 2015 meeting
Moved that the Board issue regulations regarding risk adjustment, 956 CMR 13.00, in draft form for public hearing and comment.